

UNDERSTANDING YOUR RETIREMENT PLAN

A woman with blonde hair, wearing a grey business suit and a white shirt, is smiling at the camera. In the background, two other people, a man and a woman, are blurred, suggesting a professional setting.

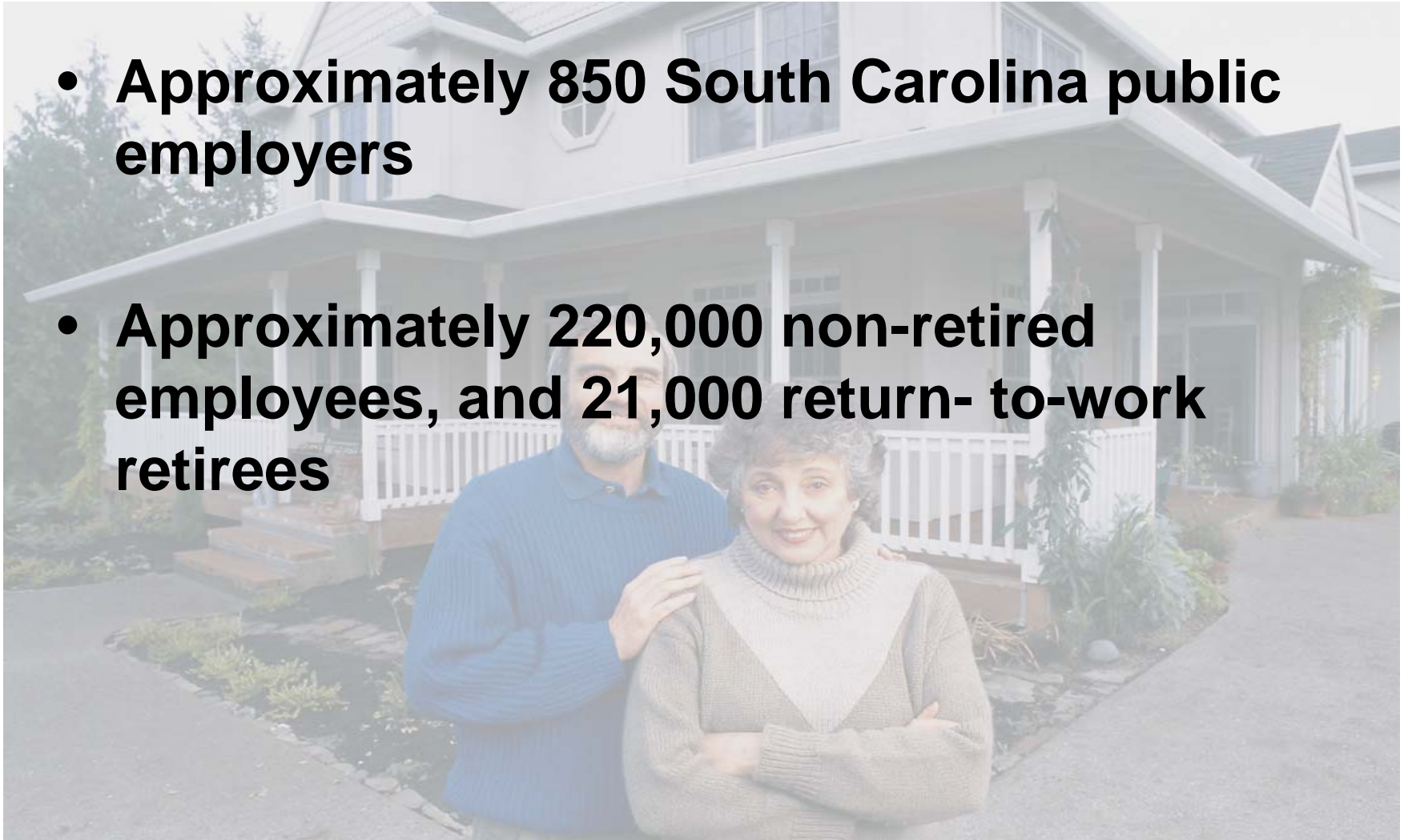
**Pre-Retirement Planning Fall 2008
B&CB South Carolina Retirement Systems
Peggy G. Boykin, CPA, Director**

What Retirement Plans does the Retirement Systems Administer?

- **South Carolina Retirement System (SCRS)**
- **Police Officers Retirement System (PORS)**
- **Judges and Solicitors Retirement System (JSRS)**
- **General Assembly Retirement System (GARS)**
- **National Guard Retirement System(NGRS)**
- **The State Optional Retirement Program (State ORP)**

Who Participates in the Retirement Systems?

- **Approximately 850 South Carolina public employers**
- **Approximately 220,000 non-retired employees, and 21,000 return- to-work retirees**



Economic Impact of Our Plans

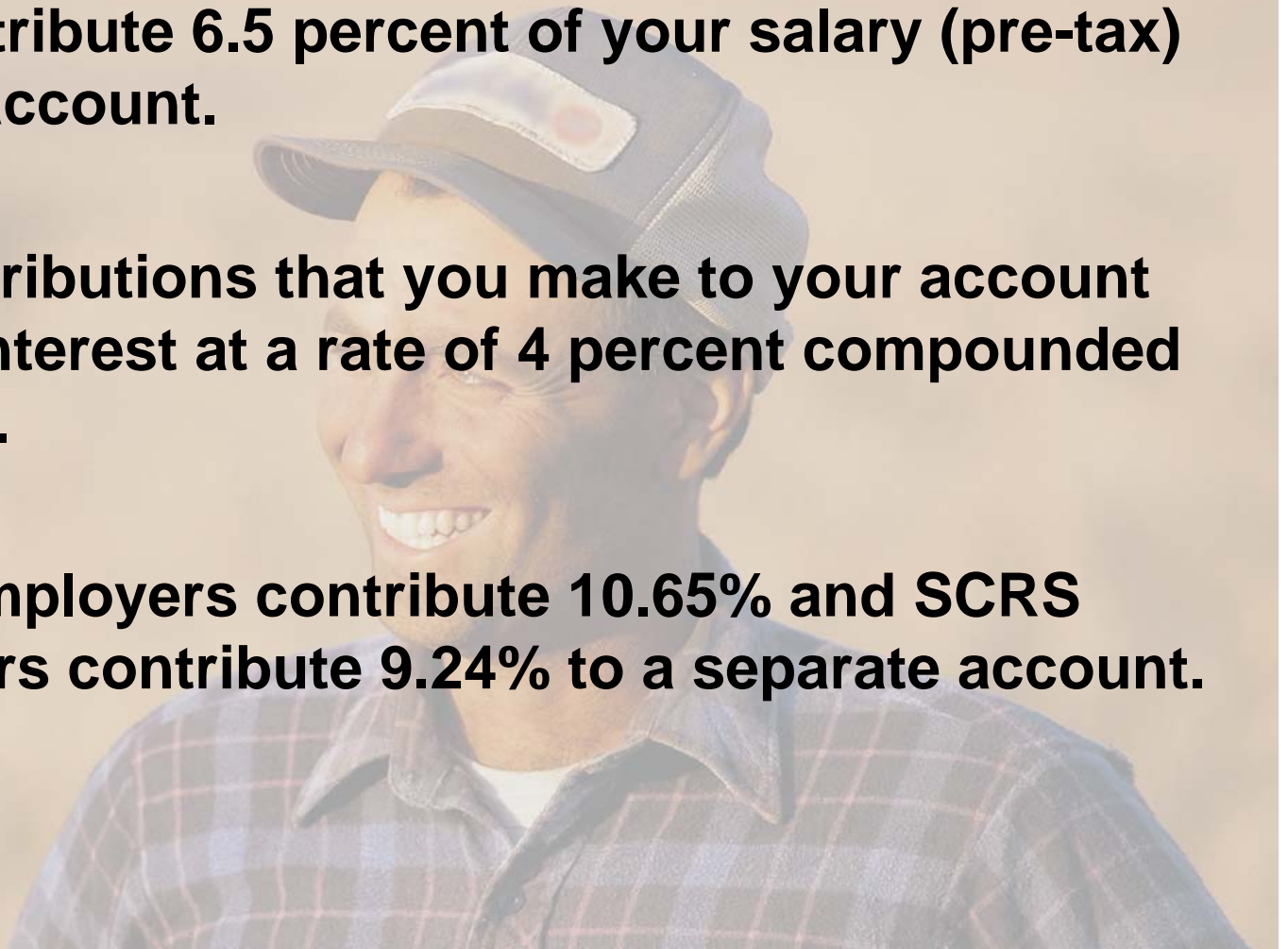
- We disburse more than \$2 billion in benefits annually, which is more than the personal income derived in the Palmetto State each year from farming, forestry, fishing, and utilities, combined.¹
- Approximately 94 percent of our annuitants reside in South Carolina.
- A recent study revealed that defined benefit plans can deliver the same retirement income to a group of employees at 46 percent lower cost than individual DC accounts.²

¹*Based on Bureau of Economic Analysis data for 2007.*

²*The study, "A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans," was published August 14, 2008, by the National Institute on Retirement Security.*

How Much Does it Cost to be a Member?

- You contribute 6.5 percent of your salary (pre-tax) to your account.
- The contributions that you make to your account accrue interest at a rate of 4 percent compounded annually.
- PORS employers contribute 10.65% and SCRS employers contribute 9.24% to a separate account.



What are the “Perks” of Being a Member?

- A lifetime monthly annuity, regardless of the amount of money you have contributed to your account
- Disability coverage
- Automatic cost-of-living adjustments (COLAs) after you retire
- The ability to purchase additional service



When Can I Retire in SCRS?

(Five years earned service required)

Full, Unreduced Retirement :

- **28 years of service credit on date of retirement**
- **Age 65 on date of retirement with at least five years of combined earned service**

Early Retirement:

- **Age 60 on date of retirement with at least five years of combined earned service. Annuity is permanently reduced 5 percent for each year under age 65.**
- **Age 55 on date of retirement and at least 25 years of service credit. Annuity is permanently reduced 4 percent for each year under 28 years of service.**

When Can I Retire in PORs?

(Five years earned service required)

- **25 years of service credit on date of retirement**
- **Age 55 on date of retirement with at least five years of combined earned service**



Cost-of-Living Adjustments (COLA)

- **SCRS and PORS retirees receive an automatic 2 percent COLA (provided the CPI is at least 2 percent)**
- **SCRS retirees retiring early with at least 25 years of service at the age of 55 are not eligible for a COLA until second July 1st after reaching age 60 or the second July 1st after you would have attained 28 years**
- **For all other SCRS and PORS retirement eligibility criteria, your retirement must have been in effect the previous July 1 to receive the COLA**

How Much Money Will I Receive When I Retire?

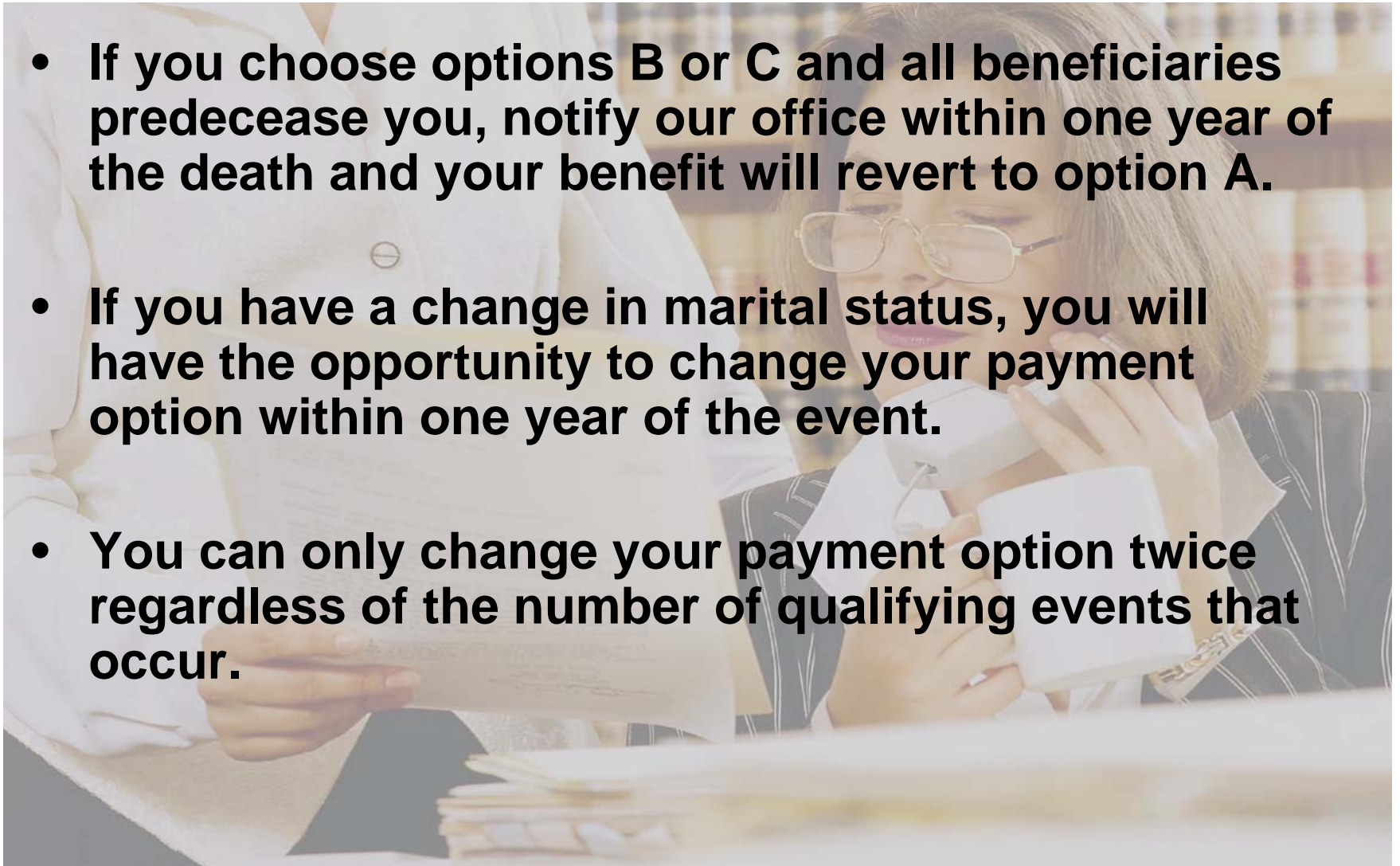
- You are paid a monthly check upon retirement based on a formula to include your Average Final Compensation (AFC) and your service credit
- The retirement formula:
 - Multiply your service credit by 1.82 percent for SCRS members, or 2.14 percent for PORS members
 - Multiply the result by your AFC
 - Divide the result by 12 to get your monthly annuity amount
- You may select one of three payment plans. Two of the three provide an annuity to your beneficiary following your death.

Payment Options

- **Option A**
 - Maximum Retiree only monthly annuity plan
- **Option B**
 - 100%-100% Joint Retiree-Survivor monthly annuity plan (*non-spousal restrictions may apply*)
- **Option C**
 - 100%-50% Joint Retiree-Survivor monthly annuity plan

Can I Change my Payment Option After I Retire?

- **If you choose options B or C and all beneficiaries predecease you, notify our office within one year of the death and your benefit will revert to option A.**
- **If you have a change in marital status, you will have the opportunity to change your payment option within one year of the event.**
- **You can only change your payment option twice regardless of the number of qualifying events that occur.**



What is the TERI Program?

(Teacher and Employee Retention Incentive Program)

- Any active SCRS member eligible to retire may participate in the TERI program (*this program is not available to members of PORS*).
- Technically you retire but continue to work for up to 60 more months
- Monthly payments are held in escrow without interest and distributed at end of your TERI period
- Must terminate employment at end of the program

What is the TERI Program?

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- **After termination, you receive your accumulated TERI balance and begin receiving your monthly benefit checks**
- **You do not receive additional service credit during your TERI participation**
- **You must remit contributions as a working retiree in the TERI program**
- **AFC recalculated at the end of TERI to include payment for unused annual leave paid at termination (applicable to TERI start dates July 1, 2005, and later)**

TERI Notes

- You may change employers and continue TERI participation provided no break in service has occurred and you are employed by a covered employer
- Call or e-mail Customer Service with your early termination date if you are ending your TERI participation early so that the necessary forms and information can be mailed to you
- State employees who participate in the TERI program are at-will employees

TERI Distribution and Tax Liability

- **Options for payment of accumulated TERI balance:**
 - Single-sum distribution
 - Tax-sheltered rollover
 - Combination of both
- **Mandatory 20 percent Federal tax withholding on taxable portion of distribution not rolled over**
- **If you separate from service prior to the year in which you turn age 55, you may be subject to an additional 10 percent early withdrawal penalty payable to the IRS**
- **Consult with tax and/or financial advisor about your TERI payout**

How Does Leave Time Help?

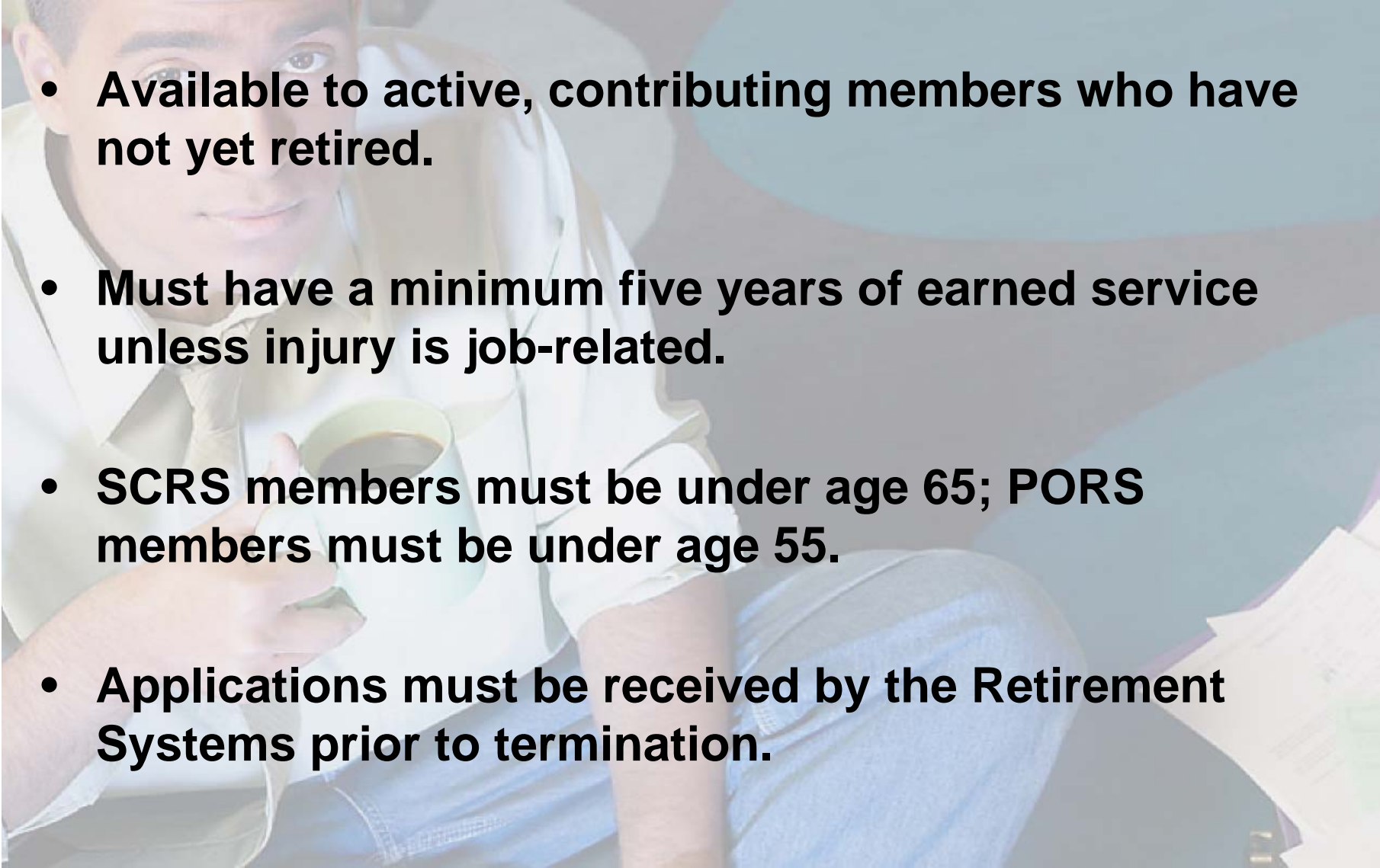
Annual leave

- Dollar amount of up to 45 days of accrued annual leave paid at termination from your last employer may be included when averaging the 12 highest consecutive quarters
- For TERI retirement dates of July 1, 2005, and after, annual leave is calculated on leave paid at termination, not at beginning of TERI. AFC is increased by 1/3 of the annual leave payout at termination and benefit is recalculated.

Sick Leave

- Credit for up to 90 days of unused sick leave from your last employer. One month of service credit is granted for each 20 days of sick leave (90 days = 4.5 months service)

Disability Retirement

- 
- Available to active, contributing members who have not yet retired.
 - Must have a minimum five years of earned service unless injury is job-related.
 - SCRS members must be under age 65; PORS members must be under age 55.
 - Applications must be received by the Retirement Systems prior to termination.

Disability Retirement

...continued

- **Calendar year earnings limitation applies for all public and private employment. Your earnings limitation is the difference between your adjusted AFC and your annual retirement benefit.**
- **Approval does not guarantee payment for life. Continuing disability review may be scheduled periodically.**
- **Approval does not automatically guarantee retiree health insurance.**
- **All service purchases must be completed prior to retirement date.**

What Types of Service Can I Purchase?

- **Military service**
- **Approved leaves of absence**
- **Public service**
- **Educational service**
- **State ORP participation**
- **Non-qualified service**
- **Previously withdrawn service**
- **Transfer from SCRS to PORS**



Cost to Purchase Service

- **The cost to purchase most types of service are based on a percentage of your career highest salary. The percentage is how much it costs to purchase one year of the service type. The percentages are as follows:**
 - **Military Service: 16%**
 - **Approved Leaves of Absence: 16%**
 - **Public Service: 16%**
 - **Educational Service: 16%**
 - **State ORP Participation: 16%**
 - **Non-Qualified Service: 35%**
- **The cost to purchase previously withdrawn service is based on you repaying the amount withdrawn plus interest to the date the request is received.**
- **The cost to transfer from SCRS to PORS is based on 5 percent of your current salary for each year of non-concurrent service being transferred.**

Service Purchase Requirements

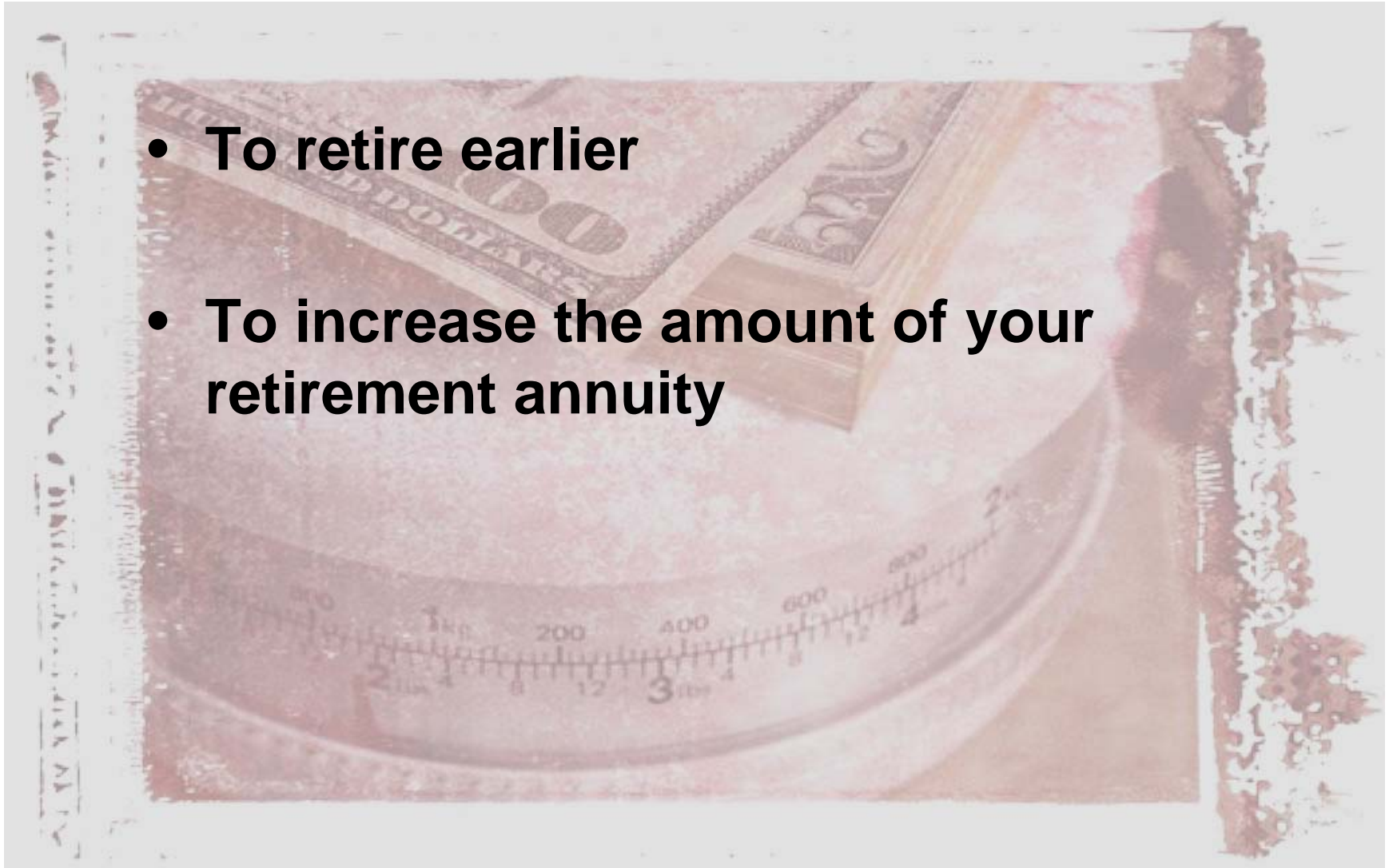
- **Must be an active (non-retired) contributing member**
- **No duplication of benefits in another defined benefit plan (excludes military)**
- **No overlapping service credit**
- **Must have five years of earned service in your account to purchase non-qualified time**
- **All service purchases must be complete before you submit your retirement application**

How do I Pay for the Service I Purchase?

- **Personal check or money order**
- **Rollover money from your 401(k), 401(a), 403(b), 457, or IRA**
- **Service Purchase Installment Program:**
 - **Deferred or non-deferred**
 - **7 percent interest rate for any installment purchase activated July 1, 2008 - June 30, 2009**
 - **Payments may be spread out for twice the amount of years/months purchased**
 - **Purchase must be complete before your date of retirement**

Why Might I Want to Purchase Additional Service Credit?

- To retire earlier
- To increase the amount of your retirement annuity



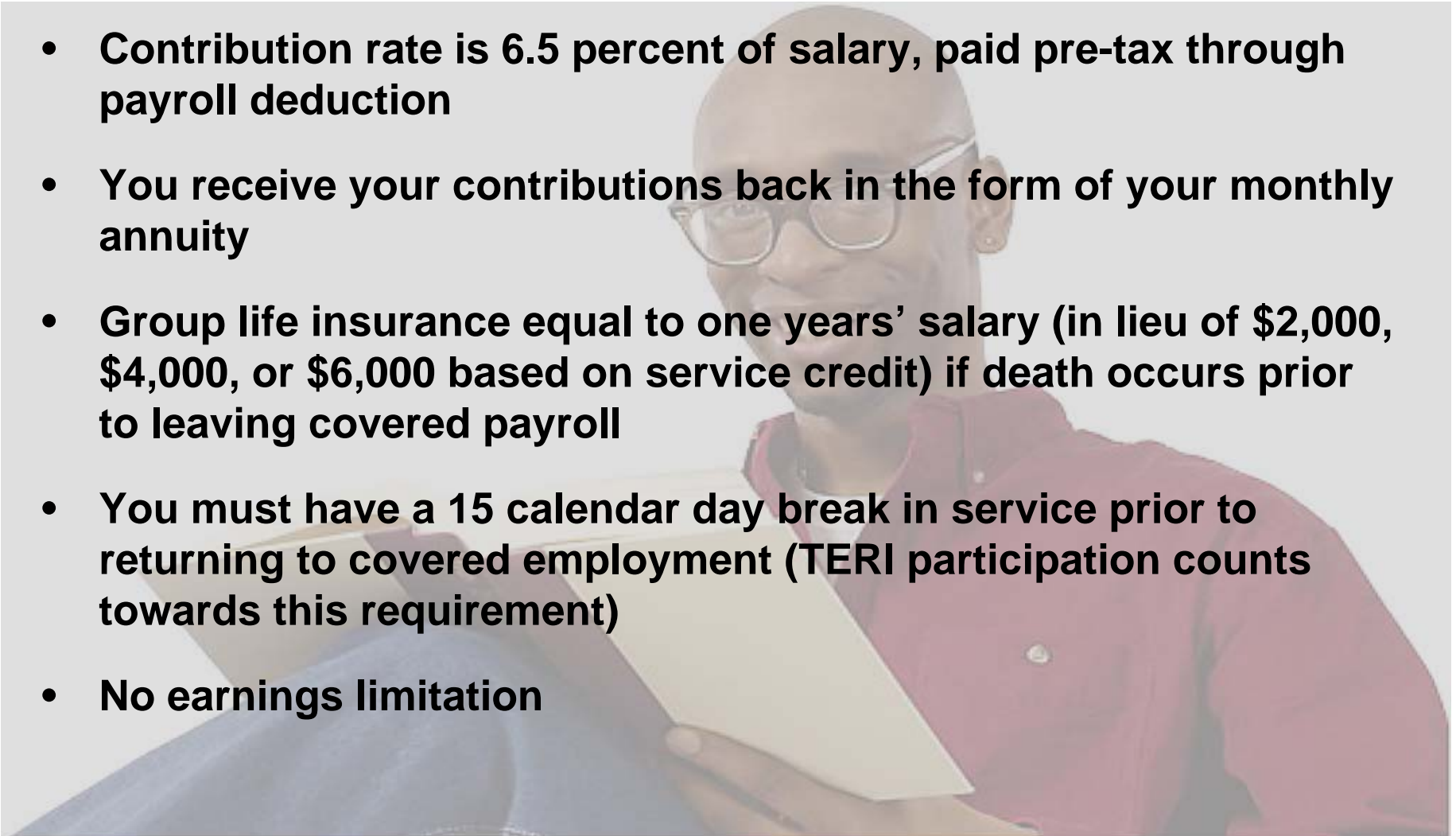
Retiree Group Life Insurance

SCRS Service Credit	Benefit	PORS Service Credit
10-19 years	\$2,000	10-19 years
20-27 years	\$4,000	20-24 years
28 or more years	\$6,000	25 or more years

Your employer immediately prior to retirement must have Group Life insurance coverage for you to receive this benefit

Returning to Covered Employment After Retirement

- **Contribution rate is 6.5 percent of salary, paid pre-tax through payroll deduction**
- **You receive your contributions back in the form of your monthly annuity**
- **Group life insurance equal to one years' salary (in lieu of \$2,000, \$4,000, or \$6,000 based on service credit) if death occurs prior to leaving covered payroll**
- **You must have a 15 calendar day break in service prior to returning to covered employment (TERI participation counts towards this requirement)**
- **No earnings limitation**



Pre-Retirement Planning

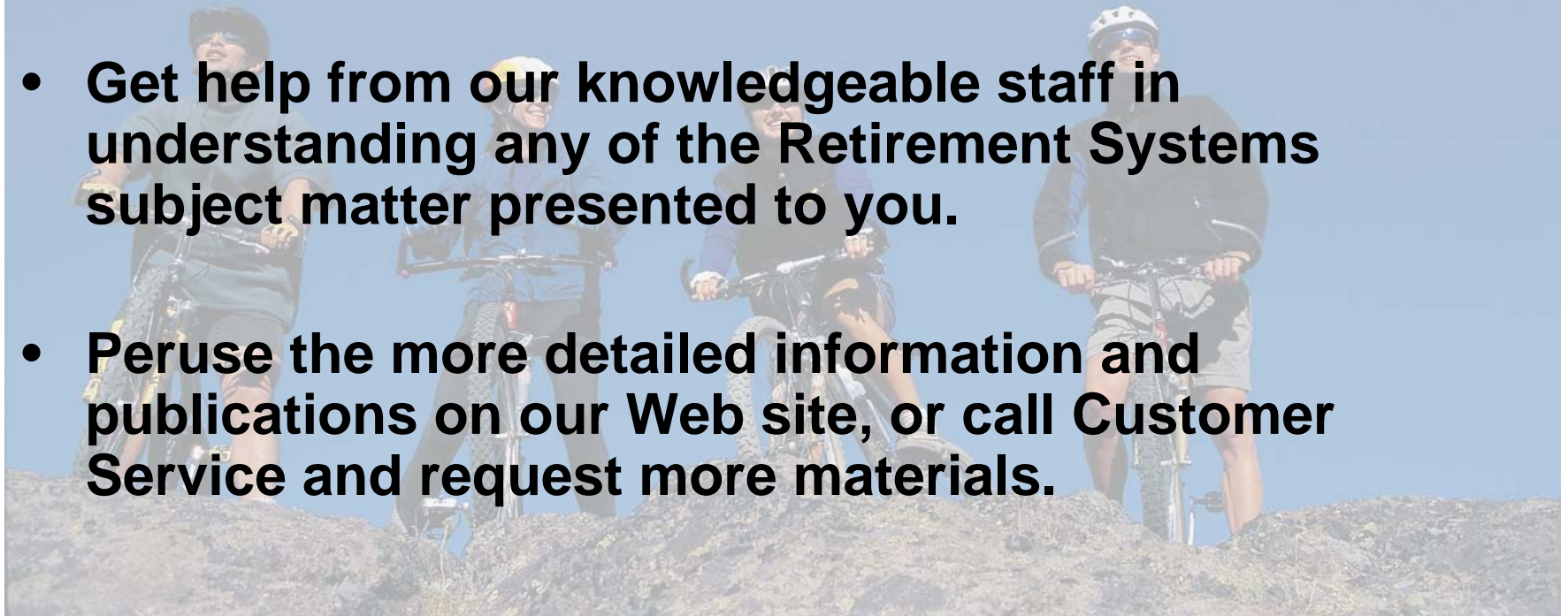
- Use the benefits calculator on our Web site at www.retirement.sc.gov or,
- Request a benefit estimate by contacting Customer Services:
 - By phone: (800) 868-9002 or (803) 737-6800
 - In writing: P.O. Box 11960, Columbia, SC 29211
 - In person: 8:15 a.m. – 5:00 p.m.
202 Arbor Lake Drive, Columbia, SC 29223
 - By e-mail: Access www.retirement.sc.gov and select “Contact Us”
 - When e-mailing Customer Services, please include your full name, the last four digits of your Social Security Number for account identification, and your daytime telephone number.

Ready to Start the Process?

- **How to apply:**
 - Call or e-mail our call center for an application package;
 - Visit our office and meet with a counselor; or,
 - Download the forms from our Web site.
- **Apply within six months prior to your date of retirement**
- **Along with your application, we will need a:**
 - copy of your birth certificate
 - copy of your beneficiary's birth certificate (if you choose a survivor option), and
 - copy of your drivers license or state issued identification card

Retirement is a Special Time in Your Life!

- **Carefully consider all options prior to purchasing any service and/or submitting your retirement application.**
- **Get help from our knowledgeable staff in understanding any of the Retirement Systems subject matter presented to you.**
- **Peruse the more detailed information and publications on our Web site, or call Customer Service and request more materials.**



Disclaimer

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